



City Planning Department
Public Spaces

October 11th, 2023

Subject: Review and Comment on the PRO Housing Grant Application

To whom it may concern,

You're invited to participate in shaping the future of housing in San Diego! The city is seeking \$6 million through the *Pathways to Removing Obstacles to Housing (PRO Housing) Grant Program* to support the *Climate Friendly Affordable Home Incentive and Equitable Infrastructure Program (Pilot Program)*.

Development in San Diego, including affordable housing, are subject to the payment of Development Impact Fees (DIF). Once collected, DIF funds are used to ensure the provision of public infrastructure to serve the new development and improve the community. The Pilot Program will offer payment of DIF, in the form of fee waivers or fee reductions, for affordable homes that further the City's climate goals by building in Vehicle Miles Traveled (VMT) efficient areas, with priority placed on projects that also further the City's fair housing goals by building affordable homes in high and highest resource areas.

The Pilot Program, which will utilize the grant funds to off-set the DIF that the affordable homes would otherwise be required to pay, will advance the City's effort to prioritize the delivery of public infrastructure in disadvantaged communities, further promoting equity, fair housing, and the overall well-being of all City of San Diego residents.

Please review the following grant application and email your comments to publicspaces@sandiego.gov by October 26th. Include your name and organization for consideration.

The City Planning Department will be hosting an in person and virtual event at Valencia Park/Malcolm X Library - Performing Arts Center & Multi-Purpose Room (5148 Market Street, San Diego, CA 92114) on October 26th, 2023, from 3 p.m. to 4 p.m. If you are unable to attend in person, you can choose to attend virtually. Please use this link to access to the meeting: <https://sandiego.zoomgov.com/j/1616178848>

If you require language interpretation, please note that on the registration for the meeting. Please RSVP using the following link: [Pathways to Removing Obstacles to Housing \(PRO Housing Community Meeting Registration Form \(smartsheet.com\)\)](#)

Your engagement is crucial in enhancing housing opportunities, sustainability, and equity within the City of San Diego. Thank you for being a part of this vital process!

Sincerely,

Heidi Vonblum
City Planning Director
City of San Diego

U.S. DEPARTMENT OF HOUSING AND URBAN
DEVELOPMENT COMMUNITY PLANNING AND
DEVELOPMENT PATHWAYS TO REMOVING OBSTACLES TO
HOUSING (PRO HOUSING) FR-6700-N-98



CITY OF SAN DIEGO

Exhibit A: Executive Summary

October 10, 2023

Subject: Pathways to Removing Obstacles to Housing (PRO Housing) Grant Application

Dear US Department of Housing and Urban Development,

The City of San Diego is seeking a \$6 million Community Development Block Grant (Grant) from the US Department of Housing and Urban Development (HUD) for Pathways to Removing Obstacles to Housing (PRO Housing) initiative to help facilitate the Climate Friendly Affordable Home Incentive and Equitable Infrastructure Program (Pilot Program). The Pilot Program will provide funding for the payment of Development Impact Fees (DIF) for affordable and middle-income homes within the City of San Diego.

Development in San Diego, including affordable housing, are subject to the payment of DIF. Once collected, DIF funds are used to ensure the provision of public infrastructure to serve the individuals using the new development and to overall improve the community. The Pilot Program will offer payment of DIF in the form of fee waivers or fee reductions specifically targeting affordable homes. Priority will be according to projects that further the City's climate goals by building in Vehicle Miles Traveled (VMT) efficient areas and on projects that further the City's fair housing goals by building affordable homes in high and highest resource areas.

The implementation of the Pilot Program will increase the construction of affordable housing by 1) reducing the cost of affordable housing development through waiver of the DIF associated with the affordable homes, and 2) increasing affordable housing options in VMT efficient areas with the goal of providing more affordable homes in high resource areas. The Pilot Program, which will utilize the grant funds to off-set the DIF that the affordable homes would otherwise be required to pay, will advance the City's effort to prioritize the delivery of public infrastructure in disadvantaged communities and further promote equity, fair housing, and the overall well-being of all City of San Diego residents.

The City will match the grant with staff time to administer the program and potentially contribute up to \$2.5 million in State Regional Early Action Planning (REAP) funds. This application has been submitted and the City is waiting to hear back if we have been granted these additional funds. This comprehensive approach underscores the City's dedication to the success of the Pilot Program, demonstrating a commitment to leveraging resources efficiently for the betterment of the community.

Sincerely,

Heidi Vonblum
City Planning Director
City of San Diego

Applicant Information

Applicant Name	City of San Diego
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Project Manager

List the day-to-day project manager who will manage the project.

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Additional Contacts for Grant-Related Correspondence

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Exhibit B: Threshold Requirements and Other Submission Requirements

Threshold Eligibility Requirements

1. Resolution of Civil Rights Matters

Not applicable; The City of San Diego does not have any unresolved or outstanding civil rights matters.

2. Eligible Applicant

According to Section III.A. of the NOFO, the City of San Diego is an eligible applicant under "02 (City or township governments)".

Other Submission Requirements

1. Standard Application, Assurances, Certifications, and Disclosures

a. Code of Conduct

Please see Attachment C for the Code of Conduct

b. Affirmatively Furthering Fair Housing

Please see Exhibit D Soundness of Approach for a description of how the City of San Diego's Climate Friendly Affordable Home Incentive and Equitable Infrastructure Program (Pilot Program) is aligned with affirmatively furthering fair housing requirements.

2. Other Program-Specific Requirements

a. Limited English Proficiency

In alignment with the commitment to inclusivity, the City of San Diego has proactively addressed the needs of Limited English Proficiency (LEP) populations in the planning process and application phase. The city intends to conduct the public hearing meeting through a hybrid model, offering both in-person and virtual participation options.

To ensure that information is accessible to LEP populations, the city adheres to its current Citizen Participation Plan. As outlined in the plan, any individual requiring interpretation services can request this support by RSVPing to the event and indicating their need for interpretation services. This approach facilitates the active engagement of LEP populations in the public hearing, ensuring that vital information is accessible and understood by all community members, irrespective of language proficiency. The city remains committed to fostering an inclusive environment and compliance with federal guidelines regarding Title VI to prevent national origin discrimination affecting Limited English Proficient persons.

b. Physical Accessibility

The City of San Diego affirms its commitment to accessibility for all individuals, including those with disabilities, in adherence to HUD's regulations and relevant laws. All in-person meetings, including the public hearing, will be held in facilities that are confirmed to be ADA accessible.

Recognizing the diverse needs of the community, the city will host an in-person public hearing, ensuring that the selected facility aligns with ADA accessibility standards. In addition, the city is mindful of the challenges some individuals may face in traveling to physical locations. To address this, a virtual participation option will be provided for those who may find it difficult to travel, thereby offering an inclusive and accessible alternative for engagement. This approach aims to accommodate a broader spectrum of participants and foster community involvement, ensuring that the public hearing is accessible to all, regardless of their ability to attend in person.

c. Environmental Review

This activity is not a project per CEQA §15378 because it involves only a grant application, which on its own accord will not cause a significant environmental impact, and therefore is not subject to CEQA pursuant to §15060(c)(2). Future projects, for which these funds will be used if awarded, will be subject to review in accordance with the LDC and CEQA (§15004), which provide direction to lead agencies on the appropriate timing for environmental review. This action will not foreclose review of alternatives or mitigation measures by the public as part of the CEQA review process.

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Exhibit C: Need

1. Describe your efforts so far to identify, address, mitigate, or remove barriers to affordable housing production and preservation

The City of San Diego's recent and ongoing initiatives to 1) facilitate transit-oriented in-fill development that affirmatively furthers fair housing and reduces vehicle miles traveled (VMT); 2) support the construction of affordable homes, particularly within high resource areas; and 3) provide public infrastructure that supports new development and thriving communities. These initiatives include:

- **Community Plan Updates**, for 18 communities that increased housing capacity by over 114,000 units since 2014.
- **Complete Communities Housing Solutions**, which provides a Floor Area Ratio (FAR) bonus, FAR-based density and height, incentives, and waivers, and DIF scaling in exchange for deed restricting 40% of the pre-bonus units as affordable.
- **New and expanded affordable housing density bonus programs**, including moderate income programs and programs for 100% affordable units.
- **Housing Action Package 1.0**, which included implementation of California Senate Bill 9, regulations that facilitate the construction of housing at City facilities, and an Employee Housing Incentive Program, which allows non-residential projects to receive development incentives in exchange for construction of off-site affordable units or payment into the Affordable Housing Trust Fund.
- **Build Better San Diego (BBSD)**, which simplified and standardized the City's DIF structure across the City; created City-wide funds for fees collected for parks, libraries, mobility and fire-rescue projects; and prioritized the expenditure of those funds in areas where infrastructure is most needed, namely traditionally underserved and disadvantaged communities as well as communities experiencing the greatest development.
- **Bridge to Homes**, which was launched to produce affordable homes for all San Diegans provides gap financing to qualified developers to make affordable housing projects a reality to create homes for families and individuals who can't afford market-rate housing including many who are at risk or currently experiencing homelessness.

Initiatives currently in process include:

- **Blueprint San Diego**, a refresh to the City's General Plan, will encourage more homes and jobs in areas that demonstrate the greatest transit competitiveness and improve opportunities to walk/roll, bike and take transit for daily needs.
- **Housing Action Package 2.0**, which aims to implement state law to allow the construction of more new homes near transit, provide protection to existing residents and increase the supply of land available for new home development. This initiative will also incentivize and promote new home opportunities in all communities that San Diegans of all income levels can afford.

The Pilot Program will build upon these efforts by waiving DIF for affordable homes constructed within VMT-efficient areas. Additionally, the pilot program will prioritize applications that construct affordable homes within high or highest resource areas. Although payment of DIF is critical to provide infrastructure needed to support new homes, including affordable homes, residential developers have identified DIF as a barrier to the provision of affordable homes. Use of the grant funds to provide DIF waivers or reductions for affordable units, allows the City to provide this incentive while maintaining the City's ability to deliver critical public infrastructure – including parks, libraries, fire stations, and mobility improvements that promote biking/rolling and walking – predominately in underserved communities and communities experiencing the greatest growth.

The Pilot Program will complement and advance recent and ongoing work by the City of San Diego to 1) facilitate transit-oriented in-fill development that affirmatively furthers fair housing and reduces VMT; 2) support the construction of affordable homes, particularly within high and highest resource areas; and 3) provide public infrastructure that supports new development and thriving communities.

2. Do you have acute demand for affordable housing? What are your remaining affordable housing needs and how do you know?

The City of San Diego is the largest city located within the County of San Diego, which is identified as a priority geography in HUD's FY23 PRO Housing List of Priority Geographies. The Area Median Income (AMI) for 2023 in San Diego County is \$116,800 for a family of four. Moderate income, defined as 80-120% of AMI, is \$93,440 to \$140,160. Today, approximately 56% of existing homes in the City of San Diego are single-family units and 80% of the city is zoned as Single Family. In San Diego County, a minimum annual income of \$206,800 was needed to qualify for the purchase of a \$911,000 median-priced single-family home in San Diego, assuming a 20% down payment.

According to San Diego Association of Governments' (SANDAG) Open Data Portal, the population in the City of San Diego increased from 2009 to 2019 by 4.5%, going from 1,306,300 in 2009 to 1,365,055 in 2019. The 2012 San Diego Housing Element Annual Report noted that 125 deed restricted low-income dwelling units were approved in 2009, while 252 deed restricted low-income dwelling units were approved in 2019, representing a 102% increase. It should be noted, however, that 2009 was a recession year and housing production overall significantly declined nationwide and in the city. In 2008, for example, 262 low-income dwelling units were approved as opposed to 205 dwelling units which were approved in 2018 accounting for a decrease of 21.7% in the last decade.

For the individuals that can afford to purchase a home in San Diego, they are met with aging housing stock. Over 90% of the City's housing stock was built prior to 2000 with much of the inventory constructed between the 1960s and the 1990s. Only 3.6% of the City's housing stock was built in the last 10 years. According to a study by the Joint Center for Housing

Studies at Harvard University, after homes age past 20 years, improvements and repair spending increases significantly and remains high throughout the remaining years of a home’s life. Aging housing stock often requires significant rehabilitation expenditures which can further serve as an impediment to homeownership.

The median monthly rent for a three-bedroom home within the City of San Diego was \$4,275 as of October 2023, approximately 46% higher than rent considered affordable for a household of four earning the Area Median Income. This median rent is 83% higher for households making 80% of AMI, 144% higher than households earning 60% of AMI, and 266% higher than households earning 40% of AMI. The median rent for a three-bedroom unit is also unaffordable to households above AMI and is 22% higher than a rent considered affordable for households earning 120% of AMI.

INCOME SCENARIO	HOUSEHOLD INCOME - FAMILY OF FOUR	AFFORDABLE RENT 30% OF MONTHLY INCOME	DOLLARS OVER AFFORDABLE	PERCENT OVER AFFORDABLE
140% OF AMI	\$163,520.00	\$4,088.00	\$187.00	5%
120% OF AMI	\$ 140,160.00	\$3,504.00	\$771.00	22%
100% OF AMI	\$116,800.00	\$2,920.00	\$1,355.00	46%
80% OF AMI	\$93,440.00	\$2,336.00	\$1,939.00	83%
60% OF AMI	\$70,080.00	\$1,752.00	\$2,523.00	144%
40% OF AMI	\$46,720.00	\$1,168.00	\$3,107.00	266%
20% OF AMI	\$23,360.00	\$584.00	\$3,691.00	632%

3. What key barriers still exist and need to be addressed to produce and preserve more affordable housing?

Residential developers have identified the overarching cost of development projects as a significant impediment to increasing unit construction. Construction costs have witnessed substantial escalation over the past decade, particularly in recent years, presenting a formidable challenge for developers in unit production. A contributing factor to this challenge is the imposition of fees during the project approval process. The fee related to the project approval process is a greater concern particularly in urban in-fill locations where land and development costs can be higher. At the same time, community opposition to housing supply often stems from insufficient public facilities and infrastructure to support additional homes. Funding for the efficient delivery of infrastructure required to support new development remains crucial. Therefore, it's still necessary to collect these fees during the construction of these developments.

The proposed Pilot Program aims to address and overcome these barriers, as follows:

- **Development Costs:** One key aspect of the program is the provision of financial assistance in the form of DIF waivers or reductions. Development impact fees are charged to developers by the City of San Diego to offset some of the costs associated with providing public infrastructure and services that are impacted by new development. Additionally, in-fill development can be more challenging and costly compared to developing greenfield sites due to land availability and costs, existing infrastructure, and building costs associated with taller, denser in-fill development.

By providing DIF waivers or reductions for affordable homes, the Pilot Program helps to alleviate the financial burden on developers of affordable housing projects, making them more economically viable, and encourages developers to invest in VMT-efficient in-fill development areas where affordable housing is greatly needed.

- **Community Resistance:** Transitioning to a Citywide DIF system through BBSD was an important step in the creation of more opportunities for affordable housing projects in VMT-efficient areas and the equitable delivery of public infrastructure in areas with the greatest needs. The pilot program will further the goals of BBSD by incentivizing the development of affordable housing projects in VMT-efficient, high resource areas through DIF waivers and reductions for affordable homes without reductions to the Citywide DIF funds that provide critical public facilities and infrastructure needed to support the new housing, such as parks, libraries, fire-rescue stations, and mobility improvements.

By providing direct financial incentives for the construction of affordable housing without compromising the City's ability to deliver public infrastructure where it is most needed, the Pilot Program reinforces the City's commitment to addressing housing affordability issues and furthering fair housing throughout the City of San Diego. The Pilot program thus aims to incentivize the production of homes for low-income residents in VMT-efficient, high resource areas, while simultaneously prioritizing investments for public infrastructure in areas with the greatest needs.

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Exhibit D: Soundness of Approach

1. What is your vision?

The Climate Friendly Affordable Home Incentive and Equitable Infrastructure Program (Pilot Program) will provide funding for the payment of Development Impact Fees (DIF) for affordable homes within the City of San Diego. Development in San Diego, including affordable housing, are subject to the payment of DIF. Once collected, DIF funds are used to ensure the provision of public infrastructure to serve the new development. The pilot program will further fair housing by providing DIF waivers and reductions for affordable homes in VMT-efficient areas with the goal of achieving more affordable homes in high-resource areas. The following will complement and contribute to the transformative nature of the project:

- **Complementary Local Policies and Ordinances:** The success of the pilot program is bolstered by supportive local policies and ordinances. These policies include recent Community Plan Updates that significantly increased housing capacity in urban in-fill areas, zoning regulations that prioritize affordable housing in VMT efficient areas, density bonuses or incentives for developers who include affordable units and streamlined permitting processes for affordable housing projects. By aligning with such policies and ordinances, the program benefits from a supportive regulatory environment that facilitates the development of affordable housing.
- **Inclusionary Housing Policies:** Inclusionary housing policies require developers to include a certain percentage of affordable housing units within their market-rate projects or contribute to affordable housing funds. The pilot program will complement these policies by providing additional financial support to developers who commit to developing affordable homes within VMT-efficient areas in the City. This alignment strengthens the impact of both the pilot program and the inclusionary housing policies, leading to a greater supply of affordable housing units.
- **Transit-Oriented Development (TOD) Strategies:** TOD strategies focus on creating housing, commercial, and community spaces near public transportation hubs. By incorporating TOD principles into the Pilot Program, the development of affordable housing near transit corridors can be incentivized. This approach promotes sustainable and affordable living by reducing transportation costs, improving accessibility, and maximizing land use efficiency. It also helps to create vibrant, mixed-income neighborhoods that enhance social equity and economic opportunities.
- **Build Better San Diego (BBSD):** BBSD is a citywide initiative to support San Diego's infrastructure, equity, climate, housing, quality of life, and conservation goals. BBSD has enabled the creation of a more effective and equitable DIF funding system for public facilities such as libraries, streets, and pedestrian and bike facilities, enabling the City to prioritize public investments in areas with the greatest need and in a manner that ultimately enables the faster delivery of infrastructure projects like bike lanes, parks and street improvements which reduce vehicle miles traveled and promote affordable housing development in those areas.

- **Housing Action Package 2.0 (HAP 2.0):** One of the City's current initiatives is HAP 2.0 and as part of this initiative, several amendments are being presented to the City Council for approval. The proposed amendments promote the preservation of affordable homes and protect people from displacement caused by new market rate development. While the City continues to look for ways to increase opportunities for additional homes in areas served by high frequency transit to address housing shortages and reduce greenhouse gas emissions, displacement of low-income community members especially in communities of concern can be a harmful unintended consequence. This initiative proposes regulations about priority rental preference for affordable units, rental unit withdrawal from the market, and condo conversions. This initiative complements the recently adopted Residential Tenant Protection Regulations that strengthen noticing requirements and relocation assistance for tenants. The proposals of this package include various anti displacement measures such as:
 1. Removing the citywide expiration date of January 1, 2025, making the dwelling unit protection regulations permanent.
 2. Removing the exemption of housing unit replacement for commercial and all mixed-use projects.
 3. Expanding protection and requiring replacement of affordable dwelling units with very low-income units.
 4. Eliminates the three-mile allowance for replacing affordable units and disallows the replacement of affordable units in low resource or high segregation and poverty resource California Tax Credit Allocation Committee Opportunity Areas.
 5. Implementing state law to allow tenants of rental units proposed for conversion into a condominium a 90-day period to buy the condominium before the seller accepts other offers.

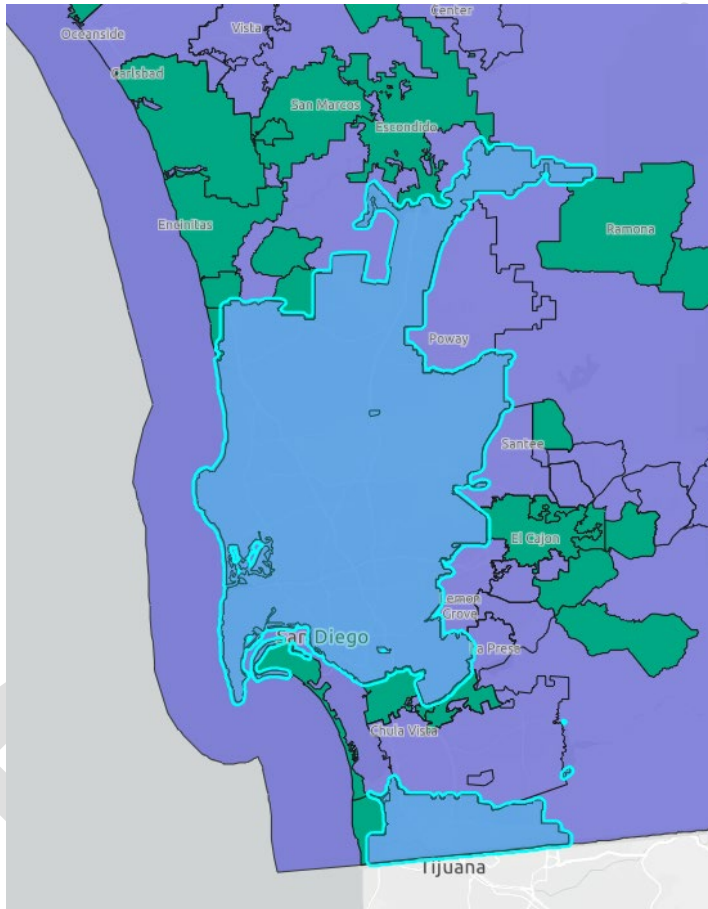
By aligning with supportive policies and ordinances, and incorporating TOD strategies, the pilot program can effectively support and advance existing and planned affordable housing development. These elements contribute to the program's transformative nature by creating a conducive environment for affordable homes, promoting social equity, and enhancing the overall livability of the community. The pilot program thus aims to facilitate and incentivize the production of affordable housing by providing DIF waivers for affordable housing units within high resource and VMT efficient areas with the goal of meeting the national objective by facilitating increased opportunities of affordable housing for low-income and moderate-income individuals and families.

2. **What is your geographic scope?**

The Climate Friendly Affordable Home Incentive and Equitable Infrastructure Program (Pilot Program) will incentivize the construction of affordable housing in VMT-efficient communities across the City of San Diego, with priority placed on projects that provide affordable housing units in high and highest resource areas. The prioritization of the program within high and highest resource areas will serve to incentivize the construction of affordable homes in communities where need for affordable homes is the greatest and where costs associated with housing are the highest. For projects outside of high and highest resource areas, the pilot program will incentivize the construction of affordable

homes through DIF waivers and reductions without reducing funds available for needed infrastructure improvements within these traditionally underserved communities. Additionally, existing tenant protection and residential dwelling unit replacement regulations will ensure that the overall number of homes are maintained or increased, and that low-income tenants receive protections and first right of refusal for new units.

The projects funded by the Pilot Program will primarily serve individuals within the county of San Diego, which is listed as a priority geography on the Fiscal Year 2023 PRO Housing List of Priority Geographies. As shown below, in purple and green.



*If the application is shaded in purple or green it is a priority geography.

3. Who are your key stakeholders? How are you engaging them?

As part of the proposed Pilot Program, the City Planning staff is taking proactive steps to engage affordable housing developers and community-based organizations with the objective to disseminate information about the available funding opportunity and thus increase the number of affordable units that will inevitably be built. To ensure inclusivity, this information will be shared in various languages, accommodating the diverse linguistic needs of the community.

Along with engaging with various stakeholders to develop a successful implementation strategy for the grant proposal; City Planning staff has been engaging with the building

industry, affordable housing developers and community members for various initiatives such as BBSD and HAP 2.0 to gather community input to guide the development of policies and implementation strategies. City Planning staff strives to ensure engagement is inclusive and meaningful by using engagement tactics such as theater-based techniques, model making, mapping, etc. that are interactive and welcoming to people of age groups and abilities. City of San Diego recognizes the importance of continuous process improvement and constantly monitors the impact of adopted policies and amendments to the municipal code to ensure that adopted initiatives are effective. Regular monitoring and reporting have led to identifying gaps and making amendments to already adopted initiatives to ensure successful results.

By efficiently utilizing the grant funds for DIF waivers and channeling the collected DIF fees toward infrastructure improvements, the pilot program ensures a balanced and sustainable development process. This enables the city to provide more affordable housing options while enhancing its infrastructure to meet the needs of the growing community. Under Build Better SD, DIF fees have been moved from individual communities to an overall citywide approach so that funding for projects in under resourced communities can get more funding than previously possible. Additionally, City Planning staff play a key role in leading engagement efforts to gather public input on infrastructure prioritization. The city has created a website and survey where San Diego community members can provide their input; the city can now directly hear from voices that might have been overlooked previously. Community input gathered through the engagement efforts informs the Five-Year Capital Improvement Program (CIP) outlook and budget process for the city. The aim is to identify and address the infrastructure needs of the community in a balanced and equitable manner.

To achieve this equitable delivery of public infrastructure, the City Planning staff will implement different strategies for community engagement. These strategies will be tailored to ensure that they effectively reach and involve residents from various backgrounds and neighborhoods. The focus will be on areas with the greatest needs and significant growth to ensure that infrastructure development aligns with the evolving demands of the city.

Through these proactive engagement efforts and inclusive strategies, the City Planning staff seeks to foster a collaborative approach to infrastructure prioritization. By gathering input from the community, City Planning staff aim to make informed decisions that reflect the diverse perspectives and priorities of the residents. This process will thus facilitate the production of affordable homes in VMT-efficient high-resource areas as well as prioritize the much-needed public infrastructure in areas with the greatest needs.

4. How does your proposal align with requirements to affirmatively further fair housing?

The pilot program aligns with the requirements to affirmatively further fair housing by incentivizing the construction of affordable housing in VMT-efficient communities citywide, prioritizing projects in high and highest resource areas. This prioritization addresses the critical need for affordable homes in areas with the greatest demand and housing costs. Outside of these areas, the program encourages affordable home construction through DIF waivers and reductions, ensuring infrastructure funds are preserved for traditionally underserved communities. Tenant protection and dwelling unit replacement regulations

guarantee that overall housing numbers are maintained or increased, with low-income tenants receiving protections and the first right of refusal for new units. The City of San Diego's anti-displacement programs, including local replacement requirements and relocation assistance, further mitigate the impact on vulnerable residents in communities of color. Additionally, the city is bolstering these efforts by introducing a new program that grants priority rental preference for new affordable units to residents in low-income communities. On May 25th, 2023, the Tenant Protection Ordinance was signed into law which aimed to strengthen the standards set by AB 1482. It states that, "1. Protections apply on Day 1 of a lease, with a narrow exemption for short term leases. 2. Financial assistance when a tenant's lease is terminated through no fault of their own. Currently, no financial assistance is required. 3. Accountability measures to make sure bad actors can't get away with violating these protections". The Dwelling Unit Protection Regulations, implemented in San Diego Municipal Code Chapter 14, Division 12, specify requires for the replacement of dwelling units in residential developments undergoing demolition. These regulations include provisions for protected dwelling units, defining their characteristics and outlining replacement criteria based on factors like occupancy and income categories.

The annual report on homes is produced by City Planning staff to report on the number of homes built each year, the communities in which they were built and the level of affordability of the homes built. The annual report on homes will help monitor the effectiveness of the proposed pilot program to advance racial equity and further fair housing by incentivizing the production of affordable homes in high and higher resourced areas and simultaneously prioritizing infrastructure investments in areas with the greatest needs.

5. What are your budget and timeline proposals?

Assessing plans for DIF is an existing function within the City Planning Department. The grant proposal is to waive the otherwise required DIF for affordable housing units and use the grant funds to support the infrastructure needs attributed to new growth prioritizing the infrastructure investments in areas with the greatest needs. As part of this application, the City of San Diego is requesting \$6,000,000 to provide DIF waivers to affordable housing units that further fair housing by promoting affordable homes in VMT efficient and high resourced areas. It is estimated that the requested grant funds can support DIF waivers for the construction of up to 293 units of 900 sq. ft. multifamily affordable housing units.

Development Impact Fees are assessed at building permit issuance and can be paid up to prior to final inspection. Based on the annual report on homes; building permits for a total of 5033 homes were issued with 470 affordable homes in the year 2021. Acknowledging the need for more homes that people can afford, the City has taken bold action to reduce the cost to build homes, increase the production of new homes in all communities, and make the home permit approval process more efficient and predictable. Through a series of innovative housing programs, such as the Affordable Home Density Bonus Program, Affordable Home Expedite Program, and the new ADU Home Density Bonus Program, the city anticipates continuing to see new home opportunities for people of all incomes and in all communities. As San Diego continues to evolve through new state legislation, new partnerships, and new funding opportunities, housing programs will adapt to respond to the changing needs of the people in our city. The City continually develops, revises, and implements new housing-related programs and regulations to further incentivize and

facilitate the building of new homes for people at all income levels. The Affordable Home Density Bonus Program promotes building additional units in exchange for providing affordable housing. Participation in the Affordable Home density bonus program has seen a steady increase over the last decade and has resulted in 371 affordable homes for the year 2021. Separately, the Expedite Program, which offers expedited permitting for by right developments that include affordable housing, saw an increase in usage with 1,056 homes using the program in 2021 v. 708 homes in 2020.

While how many homes are permitted each year depends on factors such as market conditions, construction costs and various external factors which the City cannot directly control, the trends in building permit issuance over the years along with various City initiatives to promote and incentivize the construction of affordable homes, it is expected that the production of homes will continue to rise. It is expected that the requested grant amount of \$6 M can support DIF waivers for around 75% of the affordable homes permitted in a year. If the grant amount awarded is reduced, then the percentage of affordable homes that the grant can support will see a similar reduction.

Once the grant funds are awarded, City staff will do additional outreach and share the funding availability with the community, affordable housing developers, building industry and various other stakeholders. City Planning staff is confident about the success of the pilot program, primarily due to the number of building permit applications typically submitted to the city for housing projects in any given year, and the

average rate at which these housing development projects are completed. The desired outcome is to incentivize additional homes that are affordable through this program. If successful, the city would seek additional funding to sustain the program. A report will be prepared at the conclusion of the pilot to monitor its success.

Activity	Start	End
Public Outreach	Before the grant application is submitted (Fall-2023) and as soon as the grant is awarded (early to mid-2024).	Continue until grants are expended. (Early to mid-2025)
Review housing projects to assess development impact fees and provide DIF waivers	As soon as the grant is awarded. (Early to mid-2024)	Until the grant funding awarded is available to provide DIF waivers. Based on the amount of funding requested; and based on the annual report on homes; \$6M can support DIF waiver for around 75% of building permits for affordable homes reviewed in 1 year. (Early to mid-2025)

Exhibit E: Capacity

1. What capacity do you and your Partner(s) have? What is your staffing plan?

City of San Diego is responsible for reviewing development projects and issuing building permits required for developers to start construction work on projects. The application review process includes review by various disciplines and sections. The Infrastructure Planning staff within the City Planning department are required to review projects and assess development impact fees based on the proposed use, square footage, number of units, level of affordability and various other factors.

The Infrastructure Planning team within the City Planning Department that is responsible for reviewing development projects for assessing development impact fees is also responsible for engaging with community members to gather community input on infrastructure priorities across the city through Infrastructure Prioritization engagement. The Infrastructure Planning team has a wealth of experience reviewing development plans, working with the Building Industry Association, affordable housing developers, San Diego Housing Commission, and various other stakeholders that play an important role in the production of affordable homes. The Infrastructure Planning team is therefore fully qualified to conduct the needed outreach to share information regarding the grant with community members and stakeholders and review plans to assess Development Impact fees and provide DIF waivers to incentivize the development of affordable homes within VMT efficient, high resource areas to further fair housing and simultaneously prioritize public infrastructure investments in areas with the greatest needs.

This application was written and reviewed by the Environmental Policy & Public Spaces division of the City Planning department. The following staff and management have dedicated their time and resources towards the grant application:

Alfonso Gastelum (Senior Planner, Infrastructure Planning, Environmental Policy & Public Spaces)
Breanne Busby (Senior Engineer, Infrastructure Planning, Environmental Policy & Public Spaces)
Sameera Rao (Asst. Deputy Director, Public Spaces & Heritage Preservation)
Kelley Stanco (Deputy Director, Environmental Policy & Public Spaces)

The City Planning Department within the City of San Diego is currently fully staffed and the Infrastructure Planning team will oversee the implementation of this grant. In alignment with our commitment to addressing housing needs, the city has dedicated 5% of a senior planner's time over the next five years to oversee this Pilot Program. The designated senior planner will play a pivotal role in managing the intake process for affordable housing projects, meticulously evaluating their adherence to criteria for Development Impact Fee (DIF) waivers.

Furthermore, the senior planner will be instrumental in fostering interdepartmental collaboration with other affordable housing programs, ensuring a cohesive and streamlined approach to affordable housing projects. By coordinating efforts with various city

departments, the position aims to optimize processes and enhance the overall effectiveness of initiatives in this critical domain. Additionally, the senior planner will lead continuous outreach initiatives, engaging with stakeholders to catalyze increased production of affordable housing units.

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Exhibit F: Leverage

1. Are you leveraging other funding or non-financial contributions?

The city will augment its commitment by dedicating 5% of a senior planner's time over the next five years to effectively administer the program. Furthermore, the City has applied for \$2.5 million in San Diego Association of Governments (SANDAG) Regional Early Action Planning (REAP) funds to enhance the financial foundation of the proposed activities. While this funding has not been awarded yet, it will likely be awarded at the end of this year. The City is committed to adhering to the outlined requirements for leveraging resources, ensuring that any commitments, both financial and non-financial, are valid, explicit, and contribute to the success of the PRO Housing Grant activities.

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Exhibit G: Long-term Effect

1. What permanent, long-term effects will your proposal have? What outcomes do you expect?

If the grant application is awarded, the City of San Diego through the implementation of the proposed pilot program envisions achieving several significant and permanent outcomes that contribute to the long-term production and preservation of affordable housing. The key achievements will include:

- **Increased Affordable Housing Stock:** The Pilot program will incentivize the construction of up to 293 units of 900 sq. ft. multifamily affordable homes within VMT-efficient, high and highest resource areas and provide DIF waivers to around 75% of the affordable housing projects that are reviewed on an annual basis thus incentivizing and promoting the construction of affordable homes and may lead to an increased affordable housing stock.
- **Strategic Siting:** By incentivizing the construction of affordable homes in VMT-efficient areas and high-resource neighborhoods, the proposal aims to establish a long-term pattern of strategically located affordable housing near amenities, public services, jobs, transit, schools, and other community assets.
- **Equity and Access:** The proposal addresses the long-term effects of removing barriers to affordable housing production that have perpetuated segregation and limited access to well-resourced neighborhoods. By prioritizing fair housing goals and incentivizing the construction of affordable homes in high-resource areas, the proposal aims to expand housing opportunities for protected class groups and vulnerable populations.

While the proposed pilot program will incentivize the production of around 75% of the affordable housing applications reviewed on an annual basis within VMT efficient, high resource areas and further fair housing; and prioritize public infrastructure investments in areas with the greatest needs; City of San Diego fully understands that the funding availability is limited and can only support a fixed number of affordable homes. City of San Diego also fully acknowledges that DIF waivers are only one of the several factors that can be a barrier to affordable home production. However, through this Pilot Program, City staff will engage with stakeholders to further understand the various other factors that act as roadblocks and hurdles to increased affordable housing stock and identify opportunities for streamlining and further incentivizing and facilitating the affordable home production in the City of San Diego. Since assessing DIF is a requirement of the mitigation fee act, it is required for all jurisdictions within the State and an ongoing requirement; the results of this Pilot Program can guide future operations of the program. The City of San Diego's planning department will closely monitor the results of this Pilot Program and report back on an annual basis as part of the City Planning's Annual Report on Homes. If the Pilot Program to encourage affordable homes by waiving DIF fees within VMT efficient and high resources areas is successful, the City of San Diego will consider ways to sustain it. This aims to balance the promotion of affordable homes with a focus on prioritizing public infrastructure investments in areas with greater needs, ensuring both goals are met.

Attachments A-C: will be added in the coming weeks

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